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APPENDIX B

FOREIGN ECONOMIC INTELLIGENCE REQUIREMENTS
RELATING TO THE NATIONAL SECURITY

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RELATING TO THE NATIONAL SECURITY

I. Functions of Foreign Economic Intelligence as it Relates to the Security of the United States

A. The primary function of foreign economic intelligence in the service of national security is to provide the basis for United States policy formulation and action by: (1) providing a factual understanding of the economic situation in foreign countries; (2) foreseeing probable future developments through analysis of economic trends; and (3) assisting, on the basis of economic evidence, in determining the feasibility and probable consequences of alternative courses of action open to the United States.

B. A great many agencies of the United States Government in the discharge of their own special missions collect economic information and perform economic research concerning foreign countries.^{1/} Virtually all of this information and research is or may be relevant to one or another specific problem of national security. It is the primary duty of the agencies represented on the Intelligence Advisory Council to see to it that data collected for many purposes is brought to bear on national security problems, and that such additional information is collected as may be necessary to furnish the answers to critical security problems.

^{1/} A survey of the nature and extent of such economic intelligence is included in this report as Appendix C.

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Accordingly this paper, while recognizing the need for the fullest interchange among all interested parties, concentrates its attention on the requirements of the IAC agencies for economic intelligence relating to the national security.

C. In order to determine how the relatively limited economic intelligence facilities, both within and outside the government, can make their maximum contribution, and in what directions their efforts most need to be augmented, it is necessary that there be established and maintained machinery for combined economic intelligence analysis, on a priority basis. Such machinery is recommended elsewhere in this report. The purpose of this statement of requirements is to suggest the perspective in which a continuing program of priority intelligence problems might be viewed.

D. Such a program must include:

(1) Defining authoritatively the economic reports most needed in support of United States national security policies and actions.

(2) Determining the particular economic research studies, of an ad hoc or continuing character, most urgent and essential as a basis for the reports listed in (1) above.

(3) Organizing the requisite economic reports and research studies, including the allocation of tasks among the various interested and competent agencies and the merging of the results of individual analyses.

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(4) Defining and arranging for the collection of the economic information, not already available in government, which is most essential to the preparation of the estimates and research studies listed in (1) and (2) above.

(5) Reviewing the processing facilities (translation facilities, industrial registers, document indexing, map production, etc.) and the techniques of analysis needed to exploit raw intelligence materials most effectively.

The following section (Section II) attempts a classification of the reports and studies needed primarily for government policy and planning purposes. Section III outlines the categories of operational intelligence interest which must be covered by one or more of the intelligence agencies on a continuing or ad hoc basis.

The outline of research and information requirements must be designed to support the intelligence studies outlined in Sections II and III, and will, in part, grow out of these studies as they progress. Some suggestions are made in Section IV as to the facilities and techniques required.

II. Foreign Economic Reports and Estimates Most Needed in Support of National Security Plans and Policies

A. Introduction

The gravest threat to the security of the United States and the free world within the foreseeable future stems from the hostile designs and formidable power of the USSR, and from the nature of the Soviet system. At least for the immediate future, therefore, first priority should be given to economic analysis in support of policies relating to the conflict

between the Soviet and the non-Soviet worlds. This requires intelligence relating to the capabilities, the vulnerabilities, and the intentions or probable courses of action of three main groups of countries: (1)

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the USSR and its satellites, including China; (2)

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(3) a band of countries on the fringe of the iron curtain not now clearly in either camp, but potentially contributing to the strength of one or the other. Also important to national security is intelligence relating to particular resources in the rest of the world, principally in Africa and Latin America, which contribute significantly to the strength of either center of power.

Studies directed at the capabilities of a country or complex of countries should be designed to reveal what limitations the economies of these countries place on what they can do, now and in the future. This relates not only to their capabilities to take military action and cold war measures, but also to their capacity to provide their populations with the rising standards of living necessary to political stability under free institutions. Vulnerability studies focus on the susceptibility of one country to the application, by another power, of selected devices designed to reduce its capabilities; in other words, how we can hurt them or they can hurt us. Studies of intentions or probable courses of action seek to present evidence which will reveal which of several alternative courses of action a country will follow.

It is tempting to divide intelligence problems into those concerned with the maintenance of the peace and the strengthening of free institutions, and those relating to the conduct of war if war should become unavoidable.

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This dichotomy overlooks the twin facts that policies to maintain peace must be based on the best possible intelligence as to relative military strength and intentions, and that the outcome of a war, should it come, will depend importantly on the stability and effectiveness of civilian economies. Hence in illuminating the major policy problems facing us, intelligence as to military capabilities must be closely blended with analyses of civilian economic development.

The framework of the outline below reflects United States security interests in the capabilities, vulnerabilities and probable courses of action of the three sets of countries noted above and in the strategic resources of the rest of the world. Within this framework are examples of reports and estimates that should be given priority treatment in the foreign economic intelligence effort.

B. Economic Analyses Relating to the USSR and its Satellites

The problem of economic intelligence relating to the iron curtain countries is a special one in several respects. Considering the present state of our knowledge, this area probably has a higher priority for additional intelligence effort than any other. On the other hand, the collection of information is more difficult and costly than elsewhere, and hence the sharp definition of priority requirements for collection is more urgent. Also the cost and difficulty of collection place a greater premium here than elsewhere on the development of special techniques to extract the maximum amount of information from the limited data obtainable. In view of the hostile intentions of the Soviet bloc, analysis of its capabilities for military and non-military aggression, its vulnerabilities, and its intentions must take priority at the moment over estimates of its

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capabilities for peaceful economic development. In general our present knowledge of particular industries and segments of the Soviet economy, while weak, is better than our knowledge of the aggregate resources and capabilities of the economies as a whole, either of the USSR proper or of the whole Soviet bloc.

While it is recognized that Soviet control over Communist China is possibly less rigid and direct than that over the Eastern European satellites it is believed that within the framework of this paper China should most logically be classified as a satellite.

Examples of high priority economic intelligence projects are as follows:

(1) Analysis of the economic capabilities of the USSR and its satellites to engage in military action or to employ "cold war" measures against the United States and its allies or against "neutrals".

a. Wartime Capabilities of the Soviet Bloc to Meet Essential Civilian and Military Requirements for Selected Critical Items (e.g., electronics equipment, copper, tin, aviation fuel, special machine tools, ferro-alloying metals, precision instruments, natural rubber, etc.)

b. Economic Capabilities of the Soviet Bloc to Develop and Produce Selected Military Items (e.g., Atomic weapons, guided missiles, germ warfare agents, radar, long range jet bombers, tanks, submarines, etc.)

c. Effect on Soviet Economic Capabilities for Prolonged War of the Acquisition by the USSR of Additional Areas, such as
a) Western Europe, b) the Middle East, c) Japan, d) Southeast Asia.

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d. Overall Economic Capabilities of the Soviet Bloc as a Whole Simultaneously to Conduct Specified Military Campaigns and Maintain Essential Civilian and Military Production.

e. Effect of the Korean War Combined with Western Export Controls on the Capabilities of the Chinese Economy both With and Without Soviet Assistance.

f. Economic Capability of the European Satellites Unassisted by the USSR to Wage War on Yugoslavia. Requirements for Soviet Assistance.

g. Capabilities of the Soviet Bloc to Wage Economic Warfare Against Non-Soviet Nations.

(2) Analysis of the economic vulnerability of the USSR and its satellites to measures of economic warfare, psychological warfare and to military attack, including strategic bombing.

a. Vulnerability of the Soviet and Satellite Economies, Including China's, to Strategic Bombing with Particular Reference to Their Vulnerability to A-Bomb Attack.

b. Vulnerability of the Soviet Bloc as a Whole to a Western Program of Economic Warfare. Relative Vulnerability to Various Measures - Overt and Covert.

c. Vulnerability of the Chinese Economy to Western Controls on (a) Exports to China (b) Shipping.

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d. Vulnerability of the Soviet and Satellite Economies to a Program of Induced Defection of Key Technical and Industrial Personnel.

e. Vulnerability of the Soviet and Satellite Food Supply to Biological Warfare.

(3) Analysis of economic indications of probable Soviet and satellite courses of military, and political action and analysis of all indications of probable courses of economic action.

a. Economic Activity Within the USSR and Its Satellites Which Might Reveal Their Intention to Resort to Military Action.

b. Patterns of Allocation of Economic Resources for the Production of Military Items Within the Soviet Bloc Which Might Reveal the Kind of Military Operations Contemplated.

c. Courses of Action Likely to be Taken by the USSR in Response to an Effective Western Program of Export Controls.

d. Soviet Economic Measures With Respect to China Which Might Reveal the Extent of the Political and Economic Integration of These Countries.

e. Evidence Which Might Suggest What Air Target Systems the Soviets Would be Likely to Adopt for Western Europe.

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This group of countries poses very different intelligence problems from those of the Soviet Bloc. In the first place, a great deal

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of detailed economic information about them is either actually or potentially available. Secondly much more work has been done in analyzing the aggregate resources and capabilities of these countries than in the detailed analysis of particular industries, facilities, and services. Nevertheless, this detailed information can be secured with much less cost and risk than in the case of the USSR. Hence special research techniques to exploit every scrap of data are less urgent than effective programs of data collection, collation, and analysis by more conventional means.

Since the intentions of these countries can be more directly observed, a lower priority attaches to economic evidences of their intentions than in the case of the USSR. Their capabilities to contribute to the military strength of the West are important, but their capacity to stabilize and develop their overall economies is of equally great concern. Since they are in the main industrially mature economies, the intelligence about them of concern to us generally relates less to basic resource development than in the third and fourth groups (Sections D and E below) and more to economic organization, finance, and industrial structure. Their economic vulnerabilities to military attack, sabotage of all kinds and economic warfare are subjects of very high priority.

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Sample priority research projects are:

war" in conjunction with the United States against the USSR and its satellites

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b. Capabilities of the non-Soviet Nations in a Joint Mobilization Effort to Meet Essential Civilian and Military Requirements for Selected Strategic and Critical Items (e.g., sulphur, copper, lead, zinc, aluminum, coal, steel, manganese).

c. Importance of Western Europe and the Middle East to United States Economic Capabilities for War.



b. Capabilities of Selected Allied Nations to Carry Out Programs of Civilian Capital Formation and Improvement of Productivity Concurrently With the Discharge of Their Military Obligations.

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Southeast Asia. Requirements for Foreign (primarily United States) Assistance.

d. Consequences of Cessation of Trade with the Soviet Bloc for the Capabilities of Selected Allied Nations to Contribute to the Allied Military Effort and Develop Their Economies.

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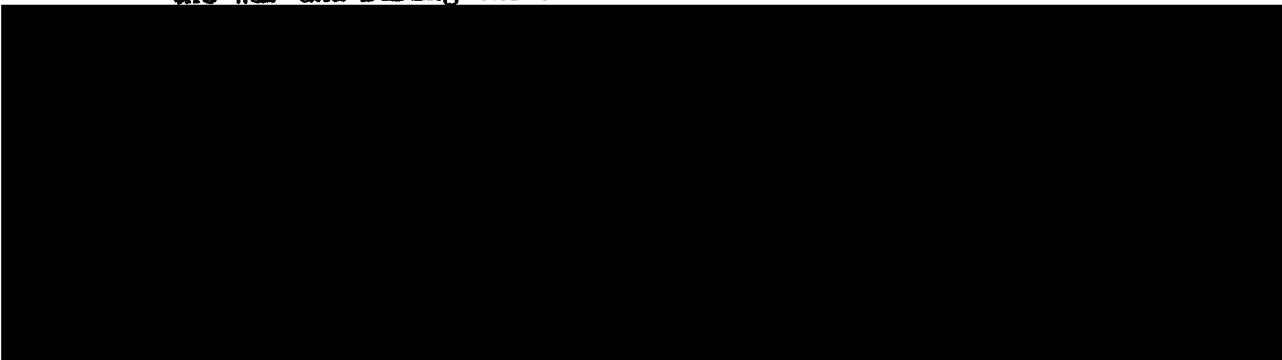
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e. Importance of Foreign Economic Assistance (primarily United States) to the Economic and Political Stability of Italy, Greece, and Turkey.

f. Essential Elements of a Raw Material Program Designed to Meet the Requirements of Both Western Rearmament and Western Economic Stability and Development.


25X6 g. Requirements for Economic Assistance in Korea During the War and During the Post-War Period of Rehabilitation.



a. Vulnerability of the Economy of Non-Soviet Nations to Strategic Bombing, i.e., to Target Systems Most Likely to be Adopted by USSR.

b. Vulnerability to Sabotage and Similar Covert Measures of Raw Material Supplies and Production Facilities of Strategic Importance to the Joint Mobilization Effort of the Non-Soviet Nations. Protective Actions Most Effective Against Such Measures.

25X6 c. Vulnerability of the Non-Soviet Nations to a Soviet Bloc Program of Economic Warfare. Relative Effectiveness of Various Overt Measures.

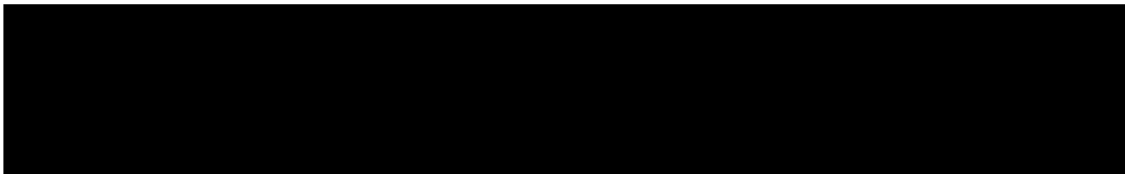


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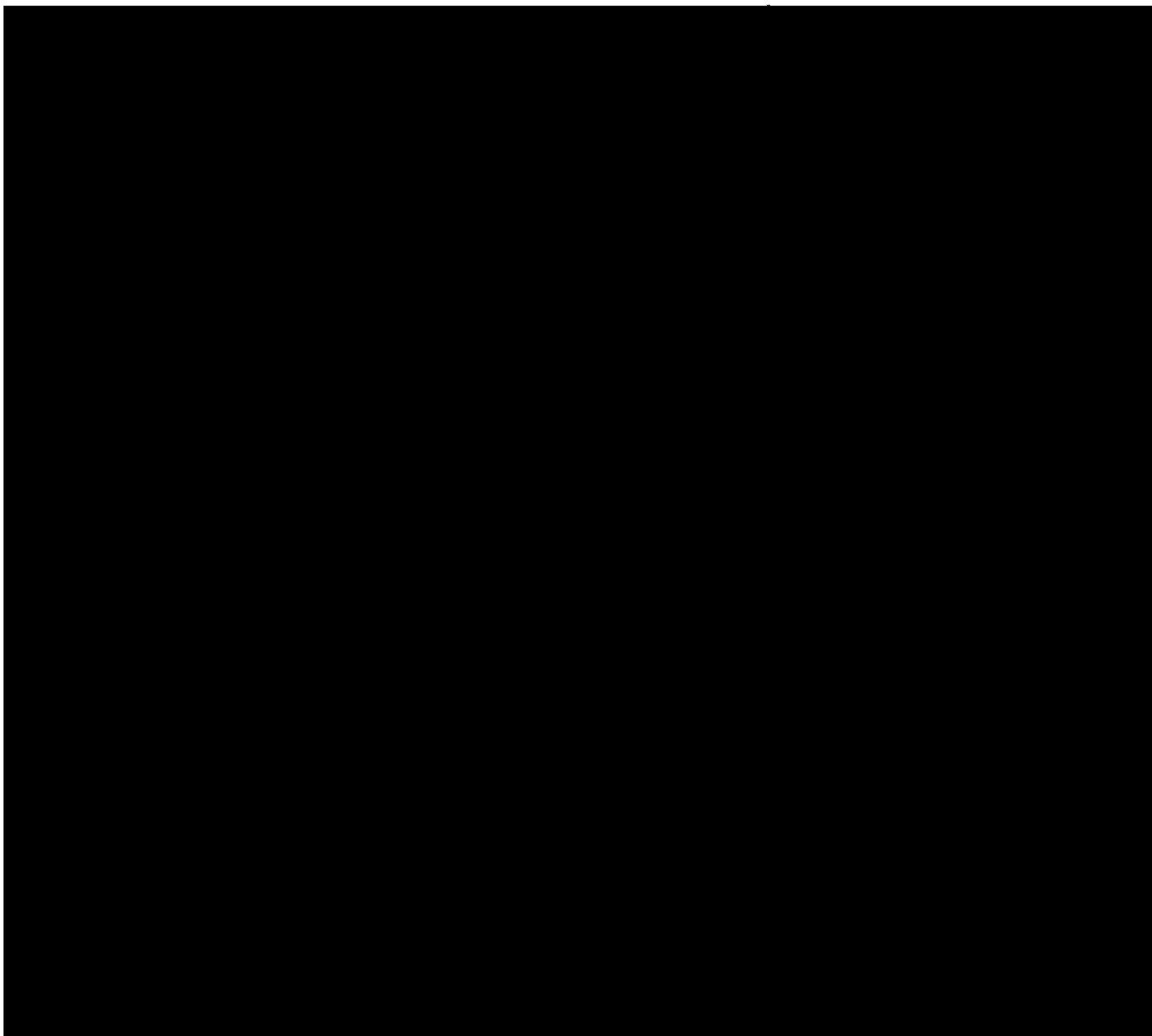
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alignment with and support for programs and measures affecting the
security of the United States.

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In general, our economic information is inadequate on these countries not because we are denied access to it, as in the case of the Soviet bloc, but because it has never been assembled by anybody to anything like the extent prevalent in Western Europe. Strategic resources are important in many of these countries, but we have a great interest in their total economic position as well as in their specific commodity and service contributions.

Examples of problems are:

(1) Analysis of the economic capabilities of "neutrals" to maintain their independence from the USSR and its satellites or to support the military and "cold war" efforts of the United States and its allies.

a. Economic Capability of Yugoslavia to Defend Itself Against Satellite Attack. Significance of a Loss of the Danubian Plain.

b. Economic Capabilities of "Neutral" Nations to Contribute to the Military Potential of the USSR.

c. Economic Importance of these Nations to the Western Defense Effort.

(2) Analysis of the capabilities of "neutrals" to maintain economic stability and to develop their economies.

a. Capability of Selected "Neutral" Countries, (e.g., Iran, India, and Yugoslavia) to Maintain Economic Stability and to Develop Their Economies. Requirements for Foreign Assistance.

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(3) Analysis of the economic vulnerability of "neutral" countries to economic, political, psychological, and military measures, with special reference to the possible influence of these measures on their alignment with and economic support for either group of powers.

a. Vulnerability of Selected "Neutral" Nations to Economic Pressure from the Soviet Bloc Designed to Force Economic Alignment With It.

b. Allied Capacity to Influence Attitudes and Allegiance of Asiatic Countries Through Economic Development Programs.

(4) Analysis of probable "neutral" courses of military, political and economic action with special reference to the extent of their alignment with and support for programs and measures affecting the security of the United States.

a. Economic Activity of "Neutral" Nations Which Reveals the Extent of Their Support for the Program of Export Controls Against the Soviet Bloc.

E. Economic analysis relating to the availability, the importance to either set of powers, and the vulnerability to interruption of the flow of specific strategic materials and services from other areas, principally Africa and Latin America.

The general economic situation in areas other than those outlined in B, C, and D above is important for many aspects of United States policy. However, the impact on our national security position of general economic

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conditions, capabilities, and intentions in such regions as Africa and Latin America is of less immediate importance than the contribution these areas make to supplies of critical raw materials needed by the Soviet Bloc and the Western Allies. The intelligence most urgently required on these areas, then, is specific details on a limited number of resources and facilities, actual and potential, rather than exhaustive coverage.

Intelligence on economic development programs and possibilities in these areas is of interest more for the effect of such programs on strategic material availabilities than for their impact on general conditions or standards of living.

The required information will normally be accessible, though some kinds of data such as that on foreign financial holdings, international corporate connections, and ultimate country of destination of shipments sometimes has to be secured covertly.

Examples of priority economic intelligence studies are:

a. Possibilities of Expanding the Output of Selected Strategic Materials Critical to the Allied Defense Effort Through Development Programs.

b. Organizational and Physical channels through which Critical Materials Reach the Soviet Bloc. Vulnerability of these Channels to Interruption.

c. Possibilities of Substituting Other Sources of Strategic Materials Now Denied from (a) Western Europe (b) Southeast Asia and in the Event of Loss of Either or Both These Areas to the Soviet Bloc.

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d. Probable Reaction of Countries in This Group to
Economic Warfare Measures of the Allies Against the Soviet
Bloc. Degree of Cooperation to be Expected.

III. Reports for Use in Support of Operations or in Implementation of
Existing United States Government Plans and Policies.

A. Introduction

Agencies engaged in the implementation of certain United States government plans and policies continually require a large volume of economic intelligence reports to support their operating activities. These reports generally must contain current and detailed economic intelligence evaluated against the background of the basic studies of capabilities, vulnerabilities and intentions noted in the preceding section (Section II). Agencies responsible for carrying out particular plans and policies must know which intelligence offices are primarily responsible for supplying the economic intelligence needed to support their activities. Listed below are suggestions of the kinds of economic intelligence which are required for operational purposes on either a continuing or an ad hoc basis.

B. Economic reports in support of military plans and operations

(1) Reports on the Logistical Capabilities of the USSR and Its Satellites During the Specific Operations.

(2) Reports on Strategic and Tactical Targets Within Areas Controlled by the USSR and Its Satellites During Specific Operations.

(3) Reports Relating to Logistical Support for United States and Allied Forces During Specific Operations.

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(4) Reports on Economic Conditions Bearing on the Maintenance of Law and Order and the Prevention of Disease and Unrest in Areas Under United States and Allied Military Control.

C. Economic reports in support of current United States and allied psychological and diplomatic measures to weaken the USSR and its satellites or to strengthen the allies of the United States and "neutrals".

This applies both during wartime and during the "cold war".

- (1) Economic Reports to Support Voice of America
- (2) Economic Reports to Support the President's Committee on Raw Materials
- (3) Economic Reports in Support of Certain Diplomatic Negotiations (e.g. negotiations relating to:
 - a. the security of strategically important industrial operations in foreign countries;
 - b. a civil aviation agreement with respect to the Soviet bloc;
 - c. economic assistance for specific countries.)

D. Economic reports in support of United States and allied economic warfare measures (overt and covert) to weaken the USSR and its satellites.

This applies both during wartime and during the present "cold war".

- (1) Economic Reports Relating to Export Controls
- (2) Economic Reports Relating to Foreign Funds Control
- (3) Economic Reports in Support of Preclusive Buying

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(4) Economic Reports in Support of Covert Measures

E. Economic reports in support of current United States and allied programs of economic assistance and joint mobilization for defense.

(1) Economic Reports in Support of NSRB

(2) Economic Reports in Support of United States Stockpile Program

(3) Economic Reports in Support of Specific Economic Assistance Program (e.g., Aid to Yugoslavia)

IV. Techniques and Facilities Involved in Economic Intelligence Production

The preceding section attempts to describe requirements for foreign economic intelligence in terms of the reports and research studies which are urgently needed. This section suggests various categories of skills and techniques whose most effective use in exploiting economic data to secure answers to the questions posed in Section II requires government-wide planning.

A. Information Collection

(1) Procurement and dissemination to analysts of data and documents publicly available, such as foreign government reports, newspapers, private studies, etc.

(2) Overt exploitation of knowledge in the heads of experts and persons with special experience of foreign economies, both in this country and abroad. The technique employed will normally be that of the interview or the solicited personal report. This includes:

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- a. Interviewing of defectors, displaced persons, and former prisoners of war.
 - b. Interviewing of United States industrial technicians on probable foreign developments and techniques.
 - c. Interviewing of foreigners, e.g., industrialists and technicians in West Germany formerly engaged in commercial or technical relations with Soviet orbit enterprises.
- (3) Collection of physical objects for analysis to determine production methods, levels of output, etc.
 - a. Captured military equipment.
 - b. Exports of consumer or capital goods from Soviet orbit countries.
- (4) Collection of maps publicly available.
- (5) Procurement and assembly of photographic materials.
- (6) Collection of information, data, documents, maps, photos, equipment, etc., by covert means.
- B. Information translation, collation, classification, and indexing.
 - (1) Translation of foreign language materials for use of analysts.
 - (2) Classification, indexing, abstracting and extracting of documents, maps, photographs and other materials in such a way as to make available to analysts as quickly as possible the existing material on any desired subject. This includes foreign documents,

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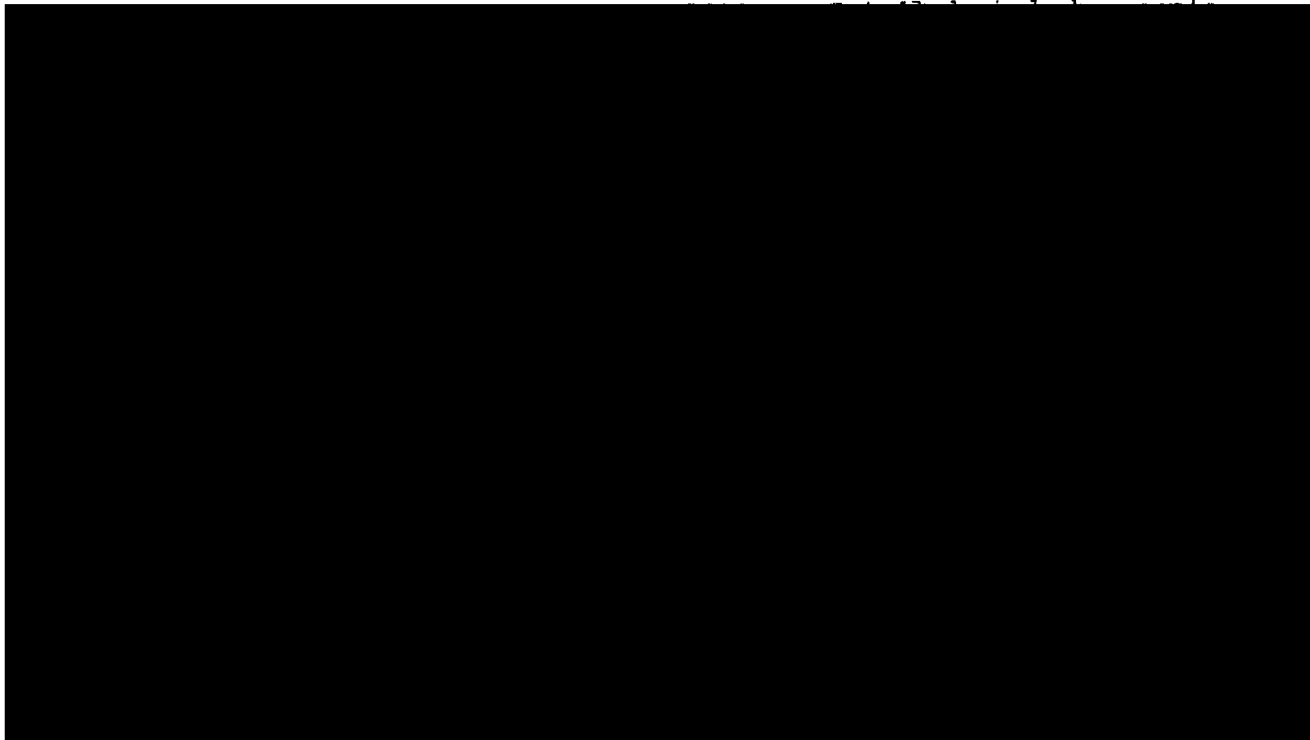
translated and untranslated, non-governmental United States documents, and United States government documents of all kinds relating to foreign economic matters.

(3) Preparation and maintenance of special sources of non-quantitative information such as biographic registers, industrial registers, and graphics registers.

(4) Organization and filing of all kinds of quantitative data in such a way as to supply quickly the best available answer to quantitative questions.

(5) Application of mechanical techniques of coding, sorting, filing and reproduction to the problems in (2), (3), and (4), above.

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